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MINUTES
ECONOMIC POLICY COUNCIL

October 3, 1985
3:00 p.m.
Roosevelt Room

Attendees: Messrs: Block, Baldrige, Brock, Herrington, Yeutter, Sprinkel, Wright, Whitehead, Burnley, Kingon, McAllister, Daniels, McFarlane, Svahn, Danzansky, Hoffman, Holmer, Khedouri, McMinn, Smart, Stucky, and Wallis, and Ms. Risque.

1. Section 301 Investigations

Ambassador Yeutter stated that the Trade Policy Review Group has reviewed a number of potential Section 301 cases, recommending that the Council consider five of these cases, and forwarding an additional two cases that the Council might want to consider. He suggested that the case against discriminatory Taiwan cigarettes, beer, and wine practices appeared very strong. The U.S. share of the Taiwan cigarette market is only one percent, beer exports are banned, and wine exports were only 62 metric tons in 1984. These products face high tariffs, distribution restrictions, and discriminatory pricing practices.

Ambassador Yeutter stated that the case against Korean intellectual property abuses was also very strong, with estimated U.S. losses of $170 million. He noted that Korea has promised to eliminate these discriminatory practices, but no action has been taken. He also stated that the case against Japanese aluminum subsidies and cartel has strong industry support. He cautioned however the case was not well developed. The subsidies would be reviewed within the GATT process; the cartel would be outside GATT review.

Ambassador Yeutter explained that EC heavy electrical equipment government procurement practices would be covered under the next GATT round. He was pessimistic about the likelihood of building a successful Section 301 case regarding such practices. He stated that the France-West German-U.K. airbus offered a reasonably good possibility of building a GATT case on subsidies, but not a Section 301 investigation. Ambassador Yeutter cautioned however that initiating the airbus subsidies case might adversely affect the steel negotiations currently underway. The same concern applied to EC wheat and barley subsidies, which would also be a GATT case. Ambassador Yeutter suggested the case might be more effective if limited to wheat, as the barley subsidies were not as evident.

The Council agreed that only one Section 301 case should be initiated against Korea, particularly in light of the case against Korean insurance sales barriers initiated on September 7.

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The Council concluded that a Section 301 investigation of intellectual property rights abuses would be more effective than one directed against computer import restrictions.

Secretary Block urged that the Council recommend to the President undertaking a GATT subsidies case on EC wheat. He argued that EC agricultural practices are harming not only the U.S. but other countries, including Argentine beef production and the sugar industries of developing countries. Administration action on this case would send a signal abroad and at home, and be particularly significant as Congress debates the farm bill. He also noted that Soviet wheat purchases from the U.S. are falling short of expectations, in part because of EC export subsidies.

Decision

The Council unanimously agreed to recommend to the President that he initiate Section 301 investigations of Taiwan's restrictions on cigarettes, beer and wine; Korean abuses of intellectual property rights; and Japan's aluminium subsidies and cartel. The Council qualified the last recommendation on Ambassador Yeutter's reappraisal of the merits of the case. The Council also unanimously agreed to recommend to the President that he initiate a GATT subsidies code case against EC wheat export subsidies.

2. House Republican Trade Bill

Ambassador Yeutter briefly reviewed the major provisions of the House Republican Trade Bill, scheduled to be introduced on October 8. He stated that three-quarters of the bill was consistent with the Administration's trade policy. He noted that the Republicans have excluded the provisions in the earlier draft resembling the Gibbons natural resources bill. The Republicans may also delete the provisions establishing a bipartisan commission, as the international monetary conference proposal was deleted. The Republican bill is consistent with Administration positions on a new GATT round, bilateral discussions with Canada, and amendment to Section 201 to establish a fast track for perishables. He stated that provisions of the bill unacceptable to the Administration included shifting authority from the President to the USTR on Section 201 and 301 cases and increasing Customs Service personnel.

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